

**OIL AND GAS LEASE  
(PAID UP)**

AGREEMENT, Made and entered into this 15<sup>th</sup> day of August, 2008, by and between **Summit on the Lake Associates, Ltd.**, whose address is, **423 West 55<sup>th</sup> St., 12<sup>th</sup> Floor, New York, NY, 10019**, Party of the first part, hereinafter called Lessor (whether one or more), and **Finley Resources Inc.**, whose address is **P.O. Box 2200, Fort Worth, Texas 76113**. Party of the second part, hereinafter called Lessee.

**WITNESSETH**, that the said Lessor, for and in consideration of ONE OR MORE DOLLARS, cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does grant, demise, lease and let exclusively unto the said Lessee, for the purpose of investigating, exploring, by geophysical or other means, prospecting, drilling, and operating for and producing oil and all gas of whatsoever nature or kind, including all associated hydrocarbons produced in a liquid or gaseous form, also including sulphur produced in association with oil or gas, hereinafter sometimes collectively referred to as "oil and gas", injecting gas, waters, other fluids, air and other gaseous substances into subsurface strata, laying pipelines, storing oil, building tanks, power stations, telephone lines and other structures and things hereon to produce, save, take care of, treat, process, store and transport said oil and gas and other products manufactured therefrom, the following described land, together with any reversionary rights, riparian rights and after-acquired interest, therein situated; in the County of Tarrant, State of Texas,

**8.26 acres, more or less, being Lot 1, Block 1 and Lot 1, Block 2, in the OAK MANOR ADDITION, an addition to the City of Fort Worth, Tarrant County, Texas, according to the plat recorded in Volume 388-184, Page 94, of the Plat Records, Tarrant County, Texas and being further described in that certain Special Warranty Deed dated December 1, 1985 by and between Tarrant County Housing Financial Corporation as Grantor and Summit on the Lake Associates, Ltd. as Grantee recorded at Volume 8415, Page 659, Deed Records, Tarrant County, Texas (hereinafter referred to as the "Leased Premises").**

This is a non-surface use Oil & Gas Lease, whereby Lessee, its successors or assigns, shall not conduct any operations, as defined herein, on the surface of said lands. However, Lessee shall have the right to pool or unitize said lands, or part thereof, with other lands to comprise an oil and/or gas development unit, and containing 8.26 acres, more or less.

It is agreed that this lease shall remain in force for a term of three (3) years from date (herein called primary term) and as long thereafter as oil and gas, or either of them, is produced from said land by the Lessee. In consideration of the premises the said Lessee covenants and agrees:

1st. To deliver to the credit of Lessor, in the pipeline to which it may connect its wells, **25 %** part of all oil (including but not limited to condensate and distillate) produced and saved from the Leased Premises. Lessor's interest to bear its proportionate cost of treating oil to render it marketable pipeline oil.

2nd. To pay Lessor for gas (including casinghead gas) and all other substances covered hereby, a royalty of **25 %** of the net proceeds realized by Lessee from the sale thereof, less a proportionate part of the production, severance and other excise taxes and the cost incurred by lessee in delivering, processing, compressing, transporting, or otherwise making such gas or other substances merchantable, said payments to be made monthly. If gas from any well or wells on the premises capable of producing gas in commercial quantities is not sold or used off the premises or in the manufacture of gas for a period of one (1) year or more, during which time there is no other production from the Leased Premises, then Lessee shall pay or tender as royalty for such annual period a sum of one dollar (\$1.00) per net acre within ninety (90) days after the end of such annual period.

If, prior to or at the expiration of the primary term, Lessee has conducted or is conducting operations for drilling, completing or reworking a well, this lease nevertheless shall continue as long as such operations are prosecuted or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than 90 days, and if production is discovered, this lease shall continue as long thereafter as oil or gas, are produced. In addition, if at any time or times after the primary term, there is a total cessation of all production, for any cause (subject to the force majeure provisions), this lease shall not terminate if Lessee commences or resumes any drilling or reworking operations, or production, within ninety (90) days after such cessation. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the Leased Premises or when the first work, other than surveying or staking the location, is started thereon which is necessary for such operations.

Lessee is hereby granted the right at any time and from time to time to unitize the Leased Premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or

any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 160 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so prescribed or as may be used in such allocation of allowable. In the absence of governmentally prescribed spacing, Lessee shall file written unit designations in the county in which the Leased Premises are located. Operations and production from the unit shall be treated as if such operations were upon or such production was from the Leased Premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of this acreage placed in the unit, or his royalty interest therein on an acreage basis, bears to the total acreage in the unit.

If said Lessor owns a lesser interest in the above described land than the entire and undivided fee simple estate therein, whether stated hereinabove as whole or partial interest, then the royalties herein provided shall be paid to the Lessor only in the proportion which his interest bears to the whole undivided fee.

No well shall be drilled nearer than 200 feet, or the minimum distance required by the municipality, to the improvements constructed now on said premises, without the written consent of the Lessor. Lessee shall pay for all injury and/or damages, including reasonable attorney's fees, to the premises including, but not limited to, its occupants, residents, employees and agents caused by its operations.

If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in ownership of the land or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion arising subsequent to the date of assignment.

If, while this lease is in force, at, or after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions herein, and Lessee is not conducting operations on said land by reason of (1) any law, order, rule, ordinance or regulation, (whether or not subsequently determined to be invalid) or (2) any other cause, whether similar or dissimilar, (except financial) beyond the reasonable control of Lessee, the primary term hereof shall be extended until the first anniversary date hereof occurring ninety (90) or more days following the removal of such delaying cause, and this lease may be extended thereafter by operations as if such delay had not occurred.

This lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessor's above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, whether or not named above.

Lessee may at any time and from time to time, surrender this lease as to any part or parts of the Leased Premises by delivering or mailing a release thereof to Lessor, or by placing a release of record in the proper County.

Lessor hereby agrees that the Lessee shall have the right at any time to redeem for Lessor by payment, any mortgages, taxes or other liens on the above-described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.

This is a paid-up lease. In consideration of the cash payment acknowledged above, Lessor agrees that Lessee is not obligated to commence or continue any operations during the primary term.

This lease may, at Lessee's option, be extended as to all or part of the lands covered hereby for an additional primary term of two (2) years commencing on the date that this lease would have expired but for the extension. Lessee may exercise its option by paying or tendering to Lessor an extension payment of **\$9,111.00** per net mineral acre for the land then covered by the extended lease (however, in no event shall the bonus money payable pursuant to any extension be less than **\$9,111.00**). Said bonus is to Lessor at Lessor's address above or last known address. If Lessee exercises this option, the primary term of this lease shall be considered to be continuous, commencing on the date of the lease and continuing from that date to the end of the extended primary term. Lessor hereby grants any such extensions of this lease without necessity of an amendment to said lease.

As a result of land development in the vicinity of the lease premises, governmental rules or ordinances regarding well sites, and/or surface restrictions as may be set forth in this lease and/or other leases in the

vicinity, surface locations for well sites in the vicinity may be limited and Lessee may encounter difficulty securing surface location(s) for drilling, reworking or other operations. Therefore, since drilling, reworking or other operations are either restricted or not allowed on the lease premises or other leases in the vicinity, it is agreed that any such operations conducted at a surface location off of the lease premises or off of lands with which the lease premises are pooled in accordance with this lease, provided that such operations are associated with a directional well for the purpose of drilling, reworking, producing or other operations under the lease premises or lands pooled therewith, shall for purposes of this lease be deemed operations conducted on the lease premises. Nothing contained in this paragraph is intended to modify any surface restrictions or pooling provisions or restrictions contained in this lease, except as expressly stated.

In the event Lessor considers that the Lessee has failed to comply with any obligation hereunder, express or implied, Lessor shall notify Lessee in writing, specifying in what respect Lessor claims Lessee has breached this lease. The service of such notice and elapse of sixty (60) days without Lessee meeting or commencing to meet the alleged breaches shall be a condition precedent to any action by Lessor for any cause. If, within sixty (60) days after the receipt of such notice Lessee shall meet or commence to meet the breaches alleged by Lessor, Lessee shall not be deemed to be in default hereunder.

Notwithstanding anything to the contrary contained in this lease, at the option of Lessee, which may be exercised by Lessee giving notice to Lessor, a well which has been drilled and production casing landed and cemented and which Lessee intends to frac, but which has not yet been fracture stimulated, shall be deemed a well capable of producing in paying quantities and the date such well is shut-in shall be when the drilling operations are completed.

Notwithstanding anything to the contrary contained in this lease, should a shut-in royalty payment not be properly made in a timely manner as provided for in this lease, Lessor may, at Lessor's option, elect to terminate the applicable portion of this lease by sending written notice to Lessee by certified mail; provided that, Lessee shall then have thirty (30) days from the date of receipt of such written notice in which to avoid termination of the applicable portion this lease by making or causing to be made the proper shut-in royalty payment. If such shut-in royalty payment is not made on or before the expiration of said 30 day period, Lessor may elect to terminate the applicable portion of this lease by filing a Notice of Termination with the County Clerk in the county where the lease premises are located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk.

[This lease includes four pages and a two (2) page Addendum. Signatures appear on following page.]

IN TESTIMONY WHEREOF, we sign this the 1<sup>st</sup> day of August, 2008.

**Lessor:**

SUMMIT ON THE LAKE ASSOCIATES, LTD.

[Signature]  
By: Chris W. Clinton  
It's: Senior Vice President

**Lessee:**

FINLEY RESOURCES INC.

Clint Koerth  
By: Clinton Koerth  
Its: Vice President

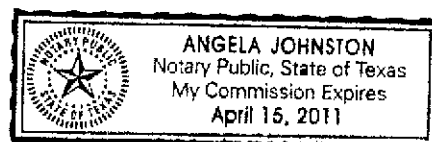
(Acknowledgement for Lessor)

STATE OF Texas }  
COUNTY OF Dallas }

This instrument was acknowledged before me on the 1<sup>st</sup> day of August, 2008 by Chris W. Clinton, Sr. Vice President  
IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my official seal the day and year first above written.

[Signature]  
Notary Public

My commission expires April 15, 2011



(Acknowledgement for Lessee)

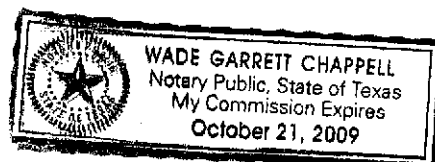
STATE OF Texas }  
COUNTY OF Tarrant }

This instrument was acknowledged before me on the 31<sup>st</sup> day of July, 2008 by Clinton Koerth as Vice President of  
Finley Resources Inc.

IN WITNESS WHEREOF, I have hereunto set my official signature and affixed my official seal the day and year first above written.

[Signature]  
Notary Public

My commission expires 10/21/2009



## Addendum

### Oil and Gas Lease

By and Between Summit on the Lake Associates, Ltd. as Lessor and Finley Resources Inc. as Lessee dated August 15, 2008

1. **Limiting Conditions:** Notwithstanding anything contained in the lease to the contrary, it is understood and agreed that the uses permissible under said lease are only for non-surface oil and gas lease and that there shall be no surface use whatsoever permitted without Lessor's prior written approval. Lessee's rights with respect to minerals shall be limited to depths not less than 250 feet below the surface of the Leased Premises.
2. **Non-Surface Use Limitation:** Lessee shall not be permitted to enter the Leased Premises upon the surface nor conduct any surface operations upon any part of the surface of the Leased Premises (said restrictions to include, but not limited to, the placement, storage or transportation of pipes and related drilling equipment). Lessee shall, however, have a sub-surface easement to horizontally drill under the surface of the Leased Premises. Notwithstanding anything contained herein to the contrary, lessee shall have the right to conduct seismic operations, but only by utilizing the "vibroseis-method" and only to the extent that such seismic operations do not include the introduction, placement and access of any vehicles or other equipment onto the surface of the Leased Premises without prior written approval. Lessee shall not conduct any seismic or related activities that materially disturbs or results in an unreasonable inconvenience to any person who resides or works in or at the apartment homes located on the Leased Premises.
3. **Environmental Safeguards:** Lessee shall employ such measures on its drillsite as will reduce the impact of its operations upon improvements, vegetation and habitat on the Leased Premises. Lessee shall use reasonable care and safeguards in conducting its operations under the surface of the Leased Premises to prevent contamination or pollution from any waste, groundwater, sediments, surface or subsurface strata, ambient air, or any other environmental medium in, on or under the Leased Premises. Lessee shall promptly remediate any condition that is hazardous to humans or wildlife resulting from Lessee's operations under the Leased Premises.
4. **Visual Appearance:** Lessee shall not permit the disposal of trash, storage of used equipment or other such materials on the Leased Premises and shall maintain its well sites in a neat and orderly fashion. Lessee shall not construct any roads or fencing on the Leased Premises and shall not access the Leased Premises using vehicles or other equipment without first obtaining Lessor's prior written approval. For safety and appearance, Lessee shall install appropriate fences around each well and related facilities in a visually appealing manner in an effort to maintain the continuity of the surrounding area, and shall maintain the fences in a good state of repair. Lessee shall maintain its well sites in a manner whereby they shall be free of noxious vegetation, odor, and debris resulting from Lessee's operations. Upon lease expiration, Lessee shall remove all of Lessee's equipment and materials that may have been placed upon the Leased Premises with the express written permission of the Lessor and restore the surface of the ground as nearly as is reasonably practicable to its original condition.
5. **Groundwater Protection:** Any oil and gas wells drilled by Lessee shall be drilled in compliance with the surface requirements imposed by the State of Texas for groundwater protection, and Lessee shall install such surface casing in the required manner in order to insure the protection of all fresh water bearing formations in and under the Leased Premises.
6. **Noise Abatement and Safety:** Lessee shall utilize modern equipment with appropriate safeguards in its drilling, completion and producing operations. Whenever possible, lessee shall employ commercially reasonable efforts to preserve the tranquility of the neighborhood by installing sound barriers and utilize hospital grade mufflers on compressors and related noise-producing equipment to reduce noise levels and emissions while conducting its operations in populous urban areas.
7. **Indemnity:** Other than the gross negligence or willful misconduct of the lessor, Lessee, its successors and assigns hereby agree to defend, indemnify, and hold harmless Lessor, its

successors and assigns from any and all costs, losses, claims, judgments, settlements, and damages of every kind and character to property or persons (including violation of environmental laws and regulations, personal injury and death), lawsuits and/or causes of action as a result of Lessee's operations. This indemnity shall survive the termination of this lease.

8. Environmental Considerations: Lessee, its successors and assigns shall comply with all environmental laws and regulations in the conduct of its operations on the lands pooled with the Leased Premises. Lessee, its successors and assigns shall not store, use, discharge or dispose of any hazardous chemicals, waste or other hazardous materials on the lands pooled with the Leased Premises in violation of any legal regulations or requirements. Other than the gross negligence or willful misconduct of the Lessor, Lessee shall indemnify, defend and hold Lessor, and its successors and assigns, harmless from any loss, cost of damage, including reasonable attorney's fees, Lessor may suffer as a result of a breach of the provision of this Paragraph.
9. No Subordination: Lessee hereby acknowledges and agrees that Lessor's mortgagee (Fannie Mae) shall not subordinate the mortgage loan to the lease, and that such subordination shall not be a condition to or under this lease.
10. Lessor's Reporting Requirements: Notwithstanding anything contained in the lease to the contrary, Lessor shall provide Lessor's mortgagee (Fannie Mae and/or Wells Fargo Bank, N.A.) an accounting of all royalties received pursuant to this lease as may be reasonably required by the mortgagee (Fannie Mae and/or Wells Fargo Bank, N.A.) at least once annually.

EXCEPT AS HEREBY AMENDED, all other provisions of said Lease are hereby confirmed and ratified.

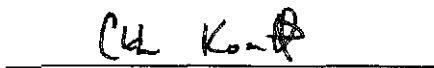
**Lessor:**

SUMMIT ON THE LAKE ASSOCIATES, LTD.

  
By: Chris W. Clinton  
Its: Senior Vice President

**Lessee:**

FINLEY RESOURCES INC.

  
By: Clinton Koerth  
Its: Vice President



FINLEY RESOURCES INC  
1308 LAKE ST

FT WORTH TX 76102

Submitter: FINLEY RESOURCES INC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 08/11/2008 04:02 PM  
Instrument #: D208313556  
LSE 7 PGS \$36.00

By: \_\_\_\_\_



**D208313556**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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